

Message Text

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FM AMEMBASSY ALGIERS

TO SECSTATE WASHDC 4288

C O N F I D E N T I A L ALGIERS 0976

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EO 11652: GDS

TAGS: ENRG, AG

SUBJECT: VISIT OF GAO ENERGY SURVEY TEAM

REF: FRANKFURT 2145

1. THREE-MAN ENERGY SURVEY TEAM OF GENERAL ACCOUNTING OFFICE COMPLETED WEEK-LONG VISIT TO ALGIERS APRIL 9. AS INDICATED REFTTEL, STATED PURPOSE OF VISIT WAS TO STUDY (1) RELATIONSHIP BETWEEN OPEC AND INTERNATIONAL OIL COMPANIES, AND (2) DEVELOPMENT OF STATE-OWNED INTEGRATED OIL COMPANIES. BASIS FOR STUDY IS LETTER FROM SENATOR KENNEDY TO CONTROLLER STAATS. LETTER IN ESSENCE ASKS GAO TO INVESTIGATE POSSIBILITY THAT OPEC STATES ARE USING INTERNATIONAL OIL COMPANIES TO MAKE PRODUCTION RATIONING DECISIONS IN ORDER TO AVOID POTENTIALLY DIVISIVE DIRECT PRORATIONING NEGOTIATIONS WITHIN OPEC WHICH COULD LEAD TO OIL PRICE REDUCTIONS. ALSO REQUESTED BY KENNEDY ARE IDENTIFICATION AND EVALUATION OF ALTERNATIVE MEASURES TO MODIFY OPEC-COMPANY RELATIONSHIPS.

2. GAO TEAM WAS FIRST TO ADMIT THAT SENATOR KENNEDY'S REQUEST WOULD BE DIFFICULT TO FULFILL GIVEN ITS BREADTH. GAO THUS DECIDED TO STUDY GENERAL "ATTITUDES" OF ALGERIAN GOVERNMENT IN PETROLEUM AREA, RATHER THAN FOCUS ON SPECIFIC AREAS OF ALGERIAN PETROLEUM ACTIVITY.

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3. RECEPTION GIVEN BY ALGERIANS TO TEAM WAS UNEXPECTEDLY

WARM AND FRIENDLY. SONATRACH V.P. AIT-LAOUSSINE SPENT THREE HOURS WITH TEAM RETRACING SONATRACH'S HISTORY AND DISCUSSING SONATRACH'S CURRENT OIL AND GAS SALES METHODS AND OPPORTUNITIES. LITTLE NEW OF SUBSTANCE EMERGED FROM DISCUSSION WHICH PRESENTED ALGERIA AS MODERATE AND RATIONAL COMMERCIAL PARTNER FOR U.S. IN ENERGY AREA. AIT-LAOUSSINE DID MAKE CLEAR THAT SONATRACH WAS SATISFIED WITH CURRENT RELATIONS WITH U.S. OIL COMPANIES. IN RESPONSE TO TEAM QUESTION, AIT-LAOUSSINE SAID IT WOULD BE DIFFICULT UNDER SONATRACH'S PRESENT POLICY OF AVOIDING SALES TO MIDDLEMEN TO SELL OIL TO USG FOR RESALE TO U.S. OIL COMPANIES.

4. TEAM ALSO HAD FOLLOWING CONTACTS:

A. AT FOREIGN MINISTRY, GAO TEAM EXPLORED OIL AND GAS EMBARGO ISSUES. RESPONSES LIMITED TO CITYING GROWING INTERDEPENDENCE OF OPEC AND WESTERN ECONOMIES. FON MIN OFFICIALS ALSO TOOK OCCASION TO COMPLAIN ABOUT FPC SLOWNESS IN APPROVING GAS CONTRACTS AND PROBLEMS THIS POSED FOR ALGERIAN DEVELOPMENT PLANNERS.

B. AT SUNOCO, AMOCO AND CFP-TOTAL, TEAM HAD LENGTHY BACKGROUND DISCUSSIONS ON ROLE OF MULTINATIONAL OIL COMPANIES IN ALGERIA. PICTURE CLEARLY EMERGED THAT SONATRACH ALONE MAKES PRODUCTION DECISIONS IN ALGERIA.

C. AT ARTHUR D. LITTLE, TEAM ATTEMPTED TO PROBE CONSULTANT'S INVOLVEMENT IN ALGERIAN AND OPEC OIL AND GAS POLICY DECISIONS.

6. COMMENT: GAO VISIT WAS DIFFICULT ONE TO HANDLE IN THAT EMBASSY HAD TO SUPPLY QUESTIONS TO BE ASKED AS WELL AS MANY OF THE ANSWERS. THIS IN PART MAY HAVE BEEN DUE TO FACT THAT ALGERIA WAS FIRST ON THE LIST OF COUNTRIES VISITED, AND IN PART TO THE BROAD NATURE OF SENATOR KENNEDY'S REQUEST. OUR IMPRESSION WAS THAT TEAM LEFT HERE WITH VERY FEW CONCLUSIONS, BUT WITH AT LEAST BEGINNING OF IDEAS WHICH WOULD PERMIT PATTERN OF OPEC ATTITUDES TO EMERGE.
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